

FORM III BUSINESS STUDIES **TOPICAL QUESTIONS**



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F3 BUSINESS STUDIES **TOPICAL QUESTIONS**

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DEMAND AND SUPPLY

The topic involves:-

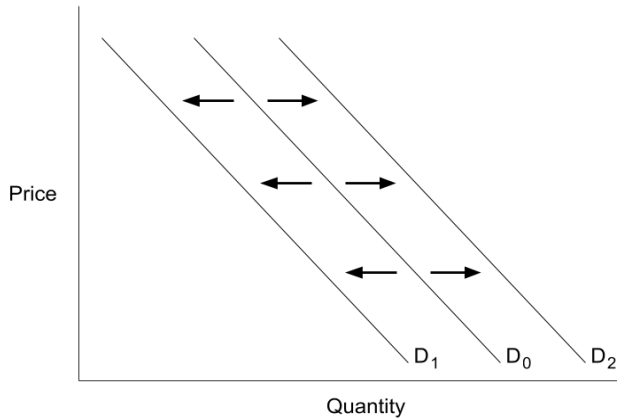
- Definition of demand and discussing factors that influence the demand for a product
- Identify various types of demand
- Discuss the concept of demand and demand curve and derive demand curve from demand schedule.
- Explain clearly, movement along a demand curve and a shift in demand curve.
- Define elasticity and categorize elasticity of demand and explain importance of the concept.
- Define supply and discuss factors that influence the supply of goods and services.
- Define supply schedule and curve; and derive supply curve from supply schedule.
- Differentiate between shift and movement along a supply curve.
- Define elasticity of supply and their various categories.
- Meaning of equilibrium price, point and quantity.

1. Outline four factors that influence both demand and supply of a commodity

2. State four factors that may result into an increase in the supply of a product in the market

3. State three circumstances under which a fall in the price of a commodity would lead to a fall in demand for a commodity

4. The following graph shows a shift in demand from D_0D_0 to D_1D_1



State four possible reasons for the above shift

5. The table below represents a farmer's supply of cabbage in a local urban centre

Year	Quantity of cabbages (Kgs)
2001	20,000
2002	15,000
2003	10,000

Assuming the price remained constant state four reasons for the trends in the supply of cabbages

6. Outline four circumstances that would cause a commodity to have inelastic demand

7. State four causes of abnormal demand

8. Explain four circumstances under which the law of demand may be undermined

9. The table below shows changes in price of a product X and the changes in quantity demanded in Product X and product Y

Price of x	Demand for x	Demand for Y
140	20,000	15,000
150	16,000	19,000

Calculate the loss elasticity of demand of product Y

10. The supply curve of a product registered a position shift despite the fact that the price of the product did not change. Explain at least five causes that may have led to this shift

11. Using a well labeled diagram, explain how excess demand and excess supply can be experienced in the market

12. Draw a normal demand and supply curves and explain the effects on equilibrium price and quantity created by an increase in demand accompanied by a proportionate decrease in supply

THE THEORY OF THE FIRM

The topic entails ;

- Meaning and distinction between firm and industry;
- Discuss factors that influence the decision on what to produce.
- Discuss the various costs of production and their derivation.
- Differentiate between small and large firms
- Discuss the various factors influencing location of firms; reasons for localization and delocalization.
- Explain meaning of economies and diseconomies of scale and how they influence production decisions of the firm.
- Explain the reasons for continued existence of small firms despite economies enjoyed by large scale firms.
- Discuss environmental implications on production activities.

- 1 . Highlight four ways a trader benefits from localization of industries

2. State four factors that determine the size of a firm

3. Highlight four measures the government may take to promote delocalization in the country

4. Highlight four reasons why small scale businesses are popular in Kenya inspite of economies of scale associated with large scale organizations

5. State five reasons for the existence of small firms in an economy

6. Give four ways in which a firm may achieve marketing economies of scale

7. The table below represents units of output and their cost of production. Find the values of costs A, B, C and D

Units of output	Total fixed cost (TFC)	Total variable cost (TVC)	Total cost	Average fixed cost (AFC)	Average variable cost (AVC)	Average cost(AC)	Marginal cost (MA)
3	300	240	A	100	80	180	60
4	300	320	620	75	B	155	80
5	300	500	800	C	100	160	180
6	300	720	1020	50	120	D	220

8. The table below shows the total cost of a certain product at given output levels

Output (units)	0	10	20	30	40	50	70	80
Total cost (Kshs)	300	380	470	550	620	680	730	770

At output of 50 units; determine

a) Total fixed costs

b) Average variable cost

c) Average total cost

d) Marginal cost

9. Give four reasons why a firm may choose to remain small despite the benefits of expansion

10. Highlight five reasons why a firm may be located near the market for its products

11. Explain five reasons why the government may adopt the delocalization policy of locating

12. Discuss five factors that may account for the existence of small firms in an economy

13. Explain five factors that determine the size of a firm

14. Explain five factors that determine the decision of a firm on what good and services to produce

15. Explain five circumstances under which a firm may be located near the source of raw

Materials

16. Outline any five reasons that account for the popularity of small scale retailers in Kenya

17. Explain five factors that may account for the survival of small firms in an industry.

PRODUCT MARKETS

1. Explain five characteristics of a monopolistic market.
2. By use of a diagram, explain how price and output are determined in a collusive oligopoly (centralized cartel) market situation
3. Highlight five differences between perfect competition and monopolistic competition
4. Using a well labeled diagram, explain how a monopolist enjoys a supernormal profit in both short and long run
5. Highlight five distinctions between perfect competition and monopolistic firms
6. a) With the aid of a diagram, explain how a firm under monopolistic competition is at equilibrium in the short run
b) With the aid of a diagram, explain the difference between perfect competition and monopoly revenue curves

CHAIN OF DISTRIBUTION

The topic entails:-

- Explain, the meaning of distribution; chain of distribution and channel of distribution.
- Discuss the role of the intermediaries in the distribution of goods.
- Discuss the factors to be considered in choice of a distribution channel and circumstances under which each channel will be preferable for various types of products.

1. Identify the type of utility created in the following circumstances

Activity	Utility
a) Carpentry	
b) Selling bread to students	
c) Warehousing of goods imported	
d) Carriage of cargo to the market	

2. State four roles played by intermediaries in the chain of distribution

3. Highlight four consequences of eliminating a wholesaler from a chain of distribution

4. Outline four factors used to determine the distribution of Omo, as a common household detergent in Kenya

5. State four circumstances under which it would be advisable for a manufacturer to sell directly to consumers

6. Dady a traders at Kibigori trading centre wishes to import goods from Brand kamp , a Germany. Describe four channels of distribution that Dady's goods are likely to take to reach his consumers at Kibgori

7. Kenya co-operative creameries (KCC) sell its dairy products directly to retailers. Highlight four factors that were considered in the choice of this channel of Distribution

8. Explain five possible effects that would result if wholesalers were eliminated from a chain of distribution

9. Manufacturers distribute their products to the final consumers through various channels.

10. Explain circumstances under which a producer would sell directly to retailers

11. Discuss the factors that influence the choice of distribution channel
12. Outline six circumstances under which a manufacturer may prefer to sell goods directly to consumers

NATIONAL INCOME

The topic entails:-

- Meaning of national income as a measure of money value of goods and services resulting from productive activities of a country in any one year.
 - Explain the circular flow of factors of production to business, and flow of goods and services back to households; and payments made for them.
 - Measurements and uses of national income. Mention the three approaches and components of each.
1. Outline four reasons why an increase in per capita income may not necessarily lead to a rise in the standard of living of the citizens
 2. State four factors that affect the circular flow of income in an economy
 3. Identify four factors that may be contributing to income disparity between the rich and poor citizens in Kenya
 4. Account for the difference between the gross National Income figures between Kenya and Uganda
 5. Name three approaches for measuring national income
 6. Highlight four problems associated with income approach

7. Highlight four problems associated with the output approach in computation of National income
8. Highlight four uses of National Income statistics in any given country
9. Outline four circumstances under which per capita income would be a good indicator
10. Explain five uses of national income statistics to an economy
11. The gap between the rich and the poor is so wide In Kenya. Highlight five factors that contribute to this disparity in income distribution.
12. Explain five limitations of using per capita income as a measure of the standard of living in a country
13. Outline five problems that are encountered in measuring National income in your country
14. (a) Explain five limitations of using per capita income to compare living standards of people in different Countries

(b) High national income may not necessarily mean better welfare for the citizens of that country. Explain five reasons to support this argument

15. a) A newly industrialized country with a population of 40 million people, had its national income estimates during the year 2009 as follows:

Value in Kshs (million)	
Exports	250000
Consumption expenditure	624000
Investment	300000
Government spending	416000
Imports	210000
Depreciation	10000
Net indirect taxes	50000

Required:

- a) (i) Calculate the GNP per capital of the country
 - ii) Outline limitations of using GNP per capita in measuring the standard of living of accounts
- b) Discuss five problems that are encountered in measuring National income in your country.

POPULATION AND EMPLOYMENT

The topic entails:-

- Meaning and importance of population
- Explain the demographic concepts such as fertility and explain how they influence business activities and the growth of the economy in general.
- Discussing implications of the number of people as well as the structure of the population in a country and their implications on economic development.
- Meaning of employment and unemployment and their implication to the economy.
- Discussing the various types of unemployment and their specific causes.
- Solutions to the various types of unemployment problem in Kenya i.e. control measures to unemployment

1. Explain the following terms as used in business

- i) Census
- ii) Unemployment
- iii) Mortality...
- iv) Optimum population.

2. Highlight four negative implications of a rapid population growth in developing countries

3. State five causes of unemployment in Kenya

4. Highlight four challenges passed to a country by a rapidly growing population

5. The table below shows a change in population size in country X for a period of four years

Year (000 000)	Total population
2001	40
2002	26
2003	13
2004	9

Give four reasons to account for this trend

6. Give four advantages of high population growth rate

7. Explain five circumstances under which a high population growth may be desirable.

8. Explain four shortcomings of self employment

9. Explain five implications of an ageing population in a country

10. Explain four steps that Kenya can take to solve her employment problems

DETERMINING THE NET WORTH OF BUSINESS

The topic entails:-

- (i) Introduction and explanation of the meaning of assets, liabilities and capital and relate the concepts to operation of business.
- (ii) Derive the book-keeping equation and relate it to the operation of the business.
- (iii) Explain the meaning of a balance sheet and relate it to the book keeping equation
- (iv) Preparing the balance sheet explaining the order in which items are presented in the balance sheet.
- (v) Discuss purpose and limitations of a trial balance.
- (vi) Classify ledger accounts and discuss the various types.

1. List four items that may affect the ending capital of a business
2. The following relates to Katiba traders as at 31st April 2010

Kshs.

Capital	600,000
Motor van	280,000
Furniture	80,000
Current assets	?
Current liabilities	50,000

Prepare Katiba's between sheets

3. Asman Traders had the following information extracted from their books of accounts asat 31stJune 2006

	Shs.
Capital (1 st July 05)	3 500 000
Additional investment	540 000
Drawings for the year	25 200
Capital (31 st June 06)	6 000 000

Determine the profit for the year

4. State four characteristics of Assets

5. Use the balance sheet equation to fill the missing figures in the table below

	CAPITAL(Shs.)	LIABILITIES(Shs.)	ASSETS (Shs.)
(a)	21,920	?	30,341
(b)	?	2.192	19,840
(c)	3,773	1,591	?
(d)	?	73,000	100,920

6. The accounting period of Ochomo Traders ended on 30th June, 2008.

The assets, liabilities and capital were as follows on their date:

Capital	51000
Cash in hand	4000
Stock	10000
Furniture	7000
Creditors	5000
Long term loan	20000
Premises	50000
Debtors	2000
Bicycle	3000

Required: Prepare Ochomo traders balance sheet as at 30th June,2008

BUSINESS TRANSACTIONS

The topic entails:-

- Meaning and types of Business Transactions
- Identifying the effects on the balance sheet items and preparations of eventual balance sheet.
- Discussion on changes in capital
- The process of determining initial and final capital.

1. The proprietor of the sunrise dealer had ksh.13,730/= as capital as at 1st January 2010.

The following transactions took place.

- i) Sold goods worth ksh 3000/= for ksh.9000/=
- ii) Deposited ksh.50, 000/= from his personal savings

If his capital as at 31st January 2010 was kshs.62, 230/=, determine the value of drawings for the month of January 2010.

2. For each of the following transactions indicate in the spaced provide the account to be debited, account to be credited and the ledger in which the account would be maintained

	Transaction	A/C Debit	to	Ledger	A/C credit	to	Ledger
(a)	Sold goods on credit to Kamau Kshs.10,000						
(b)	Paid rent by cash Kshs.500						

3. Indicate the balance sheet items which would be affected by the following transactions

(a) Purchase of a lawn mower by cheque

(b) Sale of goods on credit to Mwangi

(c) A debtor pays by cash

(d) The owner converted his personal car into a business asset

4. Given below are transactions relating to Mwala traders. For each of the transactions, indicate in the column below the account to be debited and the account to be credited

Transaction	Account to be debited	Account to be credited
(i) Paid salaries in cash		
(ii) Withdraw cash from bank for office use		
(iii) Paid telephone bill by cheque		
(iv) Sold goods for cash		
(v) Purchased office equipment on credit from Mwala limited co.		

5. Mention four items that change capital of a business

6. The following balances relates to Onyonka traders as at 1st Jan. 2010

ONYONKA TRADERS

BALANCE SHEET

As at 1st Jan-2010

Debtors	120,000	Capital	140,000
Machinery	40,000	5years loan	290,000
Cash in hand	80,000	Creditors	30,000
Cash at bank	180,000		
Stock	40,000		
460,000		460,000	

The following transactions took place the same month:-

Jan 2nd debtors paid in cash shs.20,000.

Jan. 31st sold stock worth shs.20,000 for Shs.25,000 by cheque

Prepare a balance sheet as 31st Jan. 2010

7. Show how the following transactions may affect the items of balance sheet, stating whether it is an increase , decrease or no effect

Transaction	Assets	Capital	Liabilities
(a) Additional investment in cash			
(b) Purchase of stock by credit			
(c) Pre-paid loan in cash			
(c) Took a loan to pay another loan			

8. Okelo invested Kshs.120,000 into a business. At the end of the year, his capital was Kshs.160000 and his monthly drawing was Kshs.2000. Determine the net profit for the Year

9. The following balance sheet relates to Hamisi traders as at 1st January 2008.

Hamisi Traders
Balance sheet as at 1st January 2008

Shs	shs		Shs	shs	
Capital		600	<u>Fixed assets</u>		
000			Motor van		400
<u>Current liabilities</u>			000		
Creditors	400 000		<u>Current assets</u>		
Bank overdraft	300 000	<u>700</u>	Stock	120 000	
<u>000</u>			Debtors	240 000	
			Cash	540 000	900
			000		
<u>1 300 000</u>			<u>1 300 000</u>		

Additional information:-

- On 2nd January 2008, Hamisi traders bought stock for cash at Shs 36 000
- On 10th January 2008, a debtor paid shs 26 000 to Hamisi traders
- On 13th January 2008, Hamisi used his personal cash to buy equipment for shs 47 000 for the business

Prepare Hamisi traders balance sheet as at 31st January 2008.

10. The following was obtained from the books of Wambui Mary for the ended 31st

December,2007

Drawings	82000
Profit	170000
Additional investment	58000
Capital 1.1.2007	240000

Calculate the of Mary Wambui as at 31st Dec,2007

11. Queen Traders had the following information extracted from her books of accounts as at 31st Dec 2009:-

	Shs
Capital (1/1/009)	3,400,000
Additional capital	610,780
Drawings for the year	25,220
Capital (31/12/009)	4,900,000

Determine the profit for the year.

12. The following information relates to Ogello traders as at 31st Dec 2009:-

Capital (1-1-2009)	kshs. 100,000
Loss during the year	kshs.40,000
Investment	kshs 35,000

If the trader took goods worth kshs. 15,000 during the year for private use, calculate the capital of the business as at 31-12-2009

THE LEDGER

The topic entails:

- Meaning and purpose of ledger
- Record information in relevant ledgers
- Explain the concept of double entry as the basis of making entries into the ledger.
- Discussing the rule of recording transactions in various ledger accounts.
- Discussing procedure of balancing ledger accounts and explain the uses of the various columns.
- Preparation of trial balance from the ledger account balance.
- Discuss purpose and limitations of a trial balance.
- Classify ledger accounts and discuss the various types.

1. Prepare Betty's trial balance from the following information

Items	ksh
Purchases	130,000
Capital	150,000
Sales	165,000
Debtors	45,000
Creditors	40,000
Motor vehicles	120,000
Stock	50,000
Cash at bank	10,000

2. Identify the situation in which the following types of ledgers are appropriate:

- i) Creditors ledger
- ii) Private ledgers
- iii) Normal ledger

3. The following balances were extracted from the books of Nyatike Traders Limited as at

31 st January 2010	Kshs.
Discount allowed	5,000
Buildings	250,000
Return outwards	6,000
Purchases	74,000
Creditors	20,000
Drawings	16,000
Capital	319,000

Required: Prepare Nyatike Traders Ltd trial balance as at that date

4. The following information relates to Kebirigo Traders as at 31st December, 2009

	Kshs.
Buildings	100,000
Debtors	54,000
Capital	136,000
Sales	85,000
Purchases	48,000
Stock 1 Jan.2009	25,400
Creditors	35,700
General expenses	31,800
Bank overdraft	2,500

Prepare a trial balance as at 31st December, 2009

5. The following trial balance was prepared by an incompetent book keeper thus failed to balance

Account	Dr.	Cr.
Fixed assets		250,000
Purchases	120,000	80,000
Sales	22,000	
Debtors	60,000	
Stock		45,000
Creditors	247,000	
Capital	449,000	375,000

6. Outline four errors in a trial balance although present it would still balance

7. Given below is a list of subsidiary ledgers:

General ledger

Nominal ledger

Purchases ledger

Sales ledger

Cash book

Indicate in which ledger the following accounts should be recorded

8. Record the following transactions in the relevant ledger accounts for the month of June, 2009

June 1: invested shs.100,000 cash in a retail business

June 2: Obtained a co-operative loan of Shs.20,000 cash

June 3: bought furniture Shs. 70,000, paying Shs.40,000 cheque and the balance in cash

	Account	Subsidiary ledger
a)	Return inwards	
b)	Discounts received	
c)	Drawings	
d)	Juma a supplier	
e)	Ombichi a distributor	
f)	Bank	

9. The following transaction took place in the business of Highlands Retail in the month of June 2008

1.6.2008-commenced business with Kshs. 120,000 in cash

4.6.2008-transferred kshs66, 000 from business till to the bank

13.6.2008-brought his private furniture worth kshs. 15,000 into the business for business

Use 28.6.2008-borrowed a loan in cash kshs.40, 000

Required: Post the transactions into the relevant ledger account

11. Mr. Omanda started a business in January 2000 with cash in hand 100,000. The following transactions took place during the year:-

January: Bought stock by cash Kshs.20,000

February: Sold goods on credit Kshs.30,000

March: Opened a bank account by banking cash Kshs.60,000

April: A debtor returned goods worth shs.5,000

May: Bought goods Kshs.70,000 on credit

June: The owner took cash Shs.10,000 to pay his children school fees

11. Record the following transactions in the relevant ledger accounts, balance the account

and extract a trial balance

Date	Transaction
1/4/2007	Mary started business with shs.80,000 cash
2/4/2007	Bought stationery for shs.4,000 and paid in cash
3/4/2007	Opened a bank account and deposited shs.50,000 from the cash till
4/4/2007	Bought motor vehicle worth shs.250,000 from Lucy motors on credit
5/4/2007	Bought postage stamps for shs.60 in cash

12. The following information relates to Ndhiwa resort traders for the month of November 2009:-

November, 1.started a business with shs 160,000 cash

2. Purchases shs.120,000

3. Made sales in cash shs.126,000

4. Paid for electricity shs.1000 in cash

5. Received rent of shs.37 500 in cash

6. Gave discount of shs.6,000 in cash

Required :- i) Post the above information in the relevant ledger accounts and balance them off

ii) Extract a trial balance

CASH BOOK

The topic entails:

- Explaining meaning of cash book and the types of transactions recorded in the cash book.
- Discussing the purpose of a cash book
- Types of cash book when used and format
- Explain the concept contra-entry.
- Preparation of the various types of cash books.

1. The following cash book relates to Baraka enterprises

Date	Details	Cash	Bank	Date	Details	Cash	Bank
2004				2004			
Jan 1	Bal.	10,000		Jan	Bal		15,000
Jan	b/d	18,500		1	b/d	12,000	
10	Sales		12,000	Jan	Bank	6,000	
Jan	Cash		3,000	15	Jebet	10,500	
15	Bal.	28,500	15,000	Jan	Bal.	28,500	15,000
	c/d			20	c/d		

State the transactions that took place on the above cashbook on the following dates

Jan 1

Jan 10

Jan 15

Jan 20

2. Identify four uses of the cash book.

3. The following transactions took place in the business of Kiprono during the first week of Jan. 2003

Jan 1st Balance brought down
Cash = Kshs12,000.00
Bank= Kshs.35,000
Jan 2nd Sold an old piece of furniture for Kshs.8,000 cash
Jan 3rd Cash sales Kshs.10,000 paid directly to the
bank
Jan 4th Purchased goods worth Kshs.20,000 , paid
Kshs.5,000 cash and the balance
to be paid later
Jan 5th Kiprono took cash Kshs.1,500 for personal
use
Jan 6th Bought goods worth Kshs.15,000 paying partly by
cheque Kshs.10,000 and
the balance in cash

Required: Prepare Kiprono's two column cash book for the month of January and balance it of

4. The following transactions relate to Kabela Traders for the month of Dec. 2004.

2nd Dec cash sales shs.30,000

8th Dec. Banked shs.15,000

10th Dec. withdrew shs.10,000 from bank for office use

Prepare a cash book

5. Ondiko Traders had Kshs. 100000 cash in hand and Kshs.243000 cash at bank during the Month of March 2008. The following transactions took place in that month:

March 3 – paid rent Kshs.5000 cash

March 11- cash sales Kshs.14000

March 14-purchased equipment worth Kshs. 37000 paying by cheque

March 20- Deposited shs. 30000 into bank from cash till

March 31- Took Kshs. 10000 cash for personal use

Prepare Ondiko traders’ two- column cash book for March 2008

6. Record the following transactions in a double column cash book of JABER traders and

balance it off as at 12th June 2009:-

June 1: Balances : Cash shs.5500

Bank shs.18000 (Cr)

June 3: Purchases shs.4500 was made being paid by cheque shs.4000, balance later

June 7: Sold goods for cash shs.6000

June 12: took shs.7000 to bank

June 13: Credit purchases from Ombogo shs.3000

June 14: paid Alweny shs.1000 cash

7. State the meaning of the following terms as used in a cash book:

- a) Contra- entry
- b) Folio column

8. The following information was obtained from Laban traders during the month of February 2010

Feb. 4: goods returned by Otange traders amounted to kshs. 4 000, credit note no.214

8: Akamba traders returned goods worth kshs. 15 000 and was issued with credit note no.316

15: received goods worth ksh.6,000 from punch line traders. Credit note 510

28: goods returned by Viva traders' kshs. 9 600. Credit note no. 440

Prepare the relevant journal for Laban traders

9. Omondi had the following transaction in the year ending 30th June 2008:-

Shs

Debtors as at 1 st July 2007	113 000
Cash received from debtors in the year	651 500
Debtors as at 30 th June 2008	138 500
Bad debts in the year	1 700
Discounts allowed in the year	2 600
Cash sales	800 000
Calculate the total sales for the year	

10. Give three documents from which information entered in cash receipts and cash payments Journals may be obtained

11. The following information was available for the year 2009:-

2009	Accrued rent	Prepaid rent
Jan 1	Shs.20,000	Shs.40,000
Dec 31	Shs.36,000	Shs.3400

Rent expense paid in the course of the year amounted to shs.121,200.

Prepare the rent account and show the amount charged to profit and loss account

12. On March 2007, Doris had cash in hand shs.87,000 and cash at bank shs.25,000. During this month, the following transactions took place:

March 2nd : Cash sales shs.60,000

3rd: Paid salaries shs.101,500 by cheque

7th : Received a cheque of shs.76,000 from Henry after allowing a cash discount of 5%

13th: Bought office furniture by cheque shs.86,000

17th: Settle marital account for shs.34,200 in cash having deducted shs.8,000 cash discount

20th: Received a cheque for shs.165,000 in respect for cash sales

22nd: Paid wages shs.25,000 in cash

24th: Withdrew shs.32,000 for bank for office use

25th : Withdrew shs.4,000 cash for personal use

29th: Received shs.17,000 cash form Alvin in settlement of his account less shs.1000

cash discount

31st : Deposited all the money into the bank except shs.24,600

Required: *Prepare a three column cash book duly balanced*

13. Enter the following transactions in the petty cash book of Makavale stores for the month of July 2009 using the following analysis columns: Telephone and postage; office stationery, traveling expenses and office expenses. The business operates the petty cash book on an imprest system of 4000/= replenished on weekly basis

July 1st – received a cheque from the cashier to start the imprest

1st – paid for taxi hire 250/= and 130/= for office cleaning

2nd – bought postage stamps for 210/= and a ball of string for use in the office 100/=

3rd – postage of a parcel cost 100/= and paid a telephone bill 900/=

4th – purchased envelopes for 150/= and one ream of photocopying paper 500/=

5th – paid for bus fare 500/= and made a telephone call costing 50/=

6th – purchased a window cleaning cream for 250/= and bus fare 200/=

8th – Received a cheque to replenish the imprest

8th – bought various office stationery for 400/=

9th – purchased postage stamps for 210/= and paid 950/ telephone bill

10th – paid train fare 600/= and taxi fare 250/=

11th – paid for office cleaning 150/=

12th – purchased two reams of writing paper 600/= and office dusters 300/=

14th – obtained a cheque from the cashier to replenish the imprest

Required: Prepare the petty cash book for the two weeks

14. Mumji Enterprises maintain a petty cash book on an imprest system with weekly float of Kshs.40,000.

The following information relates to the week ended 7th June 2009:-

1st cash in hand was Ksh.7000

1st receives reimbursement from the chief cashier

1st paid wages Ksh.5500, bus fare Ksh.1250, Sugar sh.220 and stamps shs.150

2nd Bought stationery Ksh.5000

3rd Paid postage shs.200

4th Bought tea leaves shs.80 and shs.2000 for type writer repair

5th Bought coffee shs.340 and milk shs.800

7th Bought a ribbon for type writer shs.500, stencils shs.350 and bus fare shs.900

Required: - Prepare a petty cash book duly balanced on 7th June with the following columns.Traveling, Wages, Stationary, Postage, tea and miscellaneous

15. The following transactions relate to Furaha traders for the month of July,2008

July 1 : Balance brought down cash sh.16,250 and Bank Shs.19,847

July2: Sold goods worth Shs.1,348 to Patel and received a calculator in exchange

July 5 : Paid transport by cheque Shs.2,000

July 6 : Issued a cheque to Kerio Traders setting an invoice for Shs.10,000

deducting 2% cash discount

July 10: Transfer Shs.15 000 from cash till to bank

July 12: Sold goods for cash Shs.12,000 less 2% cash discount

July 13: Sold goods to Onyango on credit worth Shs.15, 000

July 14: The owner of the business withdrew Shs.3000 in cash to buy a present

for his daughter

July 16 : Received a cheque from Kuria Shs.2,500 less 5 % cash discount

July 22 : Bought furniture from Babu Traders on credit worth Shs.16,500 and

cash discount of 10% if payment is made within 2 weeks

July 24: Withdrew cash from bank for office use Shs8,000

July 26: The owner brought into the business Shs.9,000 cash

July 27: Issued a cheque to Babu Traders for amount due

July 28: Sold goods to Kuria worth Shs.5,000 for Shs.3,800 and received

payment by cheque

July 30: Banked all cash and remained with Shs.100 in the cash till

Required; Prepare Furaha Traders three column cash book for the month of July, 2008

16. During the month of March 2010 the petty cashier of Nyangija distributors

made the following payment after receiving an imprest of shs12, 000 from the general cashier.

March 3 traveling	3500
March 6 office expenses	1000
March 8 postage	1200
March 15 staff tea	800
March 19 stationery	2000
March 22 office expenses	800
March 24 staff tea	1000
March 26 sundry expenses	700
March 31 F. Benson a creditor	900

Required : Using the analytical columns below prepare a petty cash book of Nyangija distributors

- Traveling
- Office expenses
- Postage
- Stationery
- Staff tea
- Sundry expenses
- Ledger accounts

17. A petty cashier of Mugirango traders operates his petty cash book on an imprest system of sh. 2500. On 1 February 2009, he had cash in hand of Sh. 500 and was reimbursed the difference by the main cashier to restore his cash float. The following transactions took place during the same month of February 2009:

- Feb 2nd paid taxi fare sh.150 and wages sh250
- 4th Bought five reams of paper for sh25 each and stamps for sh.30
- 7th Paid wages sh.250 and bought envelopes for sh.40
- 20th Bought tea for staff sh.70 and paid for water bills sh.56
- 28th Paid for electricity sh.80 and stamps sh.40

Required: Prepare a petty cash book using the following analysis columns;

- Wages
- Traveling
- Stationery
- Postage
- Miscellaneous

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